MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2022/23

BFN 2084 – PERSONAL FINANCE

(All sections / Groups)

6 OCTOBER 2023
9.00a.m. – 11.00 a.m.
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of **NINE (9)** pages (including this cover page) with:
   Section A: Thirty (30) multiple choice questions (60 marks)
   Section B: Three (3) working problems (40 marks)

2. Answer **ALL** questions.
3. Please write all your answers in the **MCQ test sheet** and **Answer Booklet** provided.

SECTION A (30 Multiple Choice Questions)

1. Which one of the following is not a danger signal of potential debt problems?
   A) Paying only the minimum balance due each month
   B) Receiving second or third payment notices from creditors
   C) Using savings to pay routine bills
   D) Repaying loans faster than required
   E) Depending on overtime and moonlighting to meet everyday expenses

2. Leo Maniam gets a bad case of the flu and ends up in the hospital for three days. Which part of his basic health insurance coverage should help pay for this stay?
   A) Hospital expense
   B) Surgical expense
   C) Physician expense
   D) Major medical expense
   E) Medicare

3. Which type of insurance protects your ability to earn income?
   A) Life
   B) Liability
   C) Disability income
   D) Car
   E) Home and property

4. Which one of the following is true regarding group health insurance?
   A) Provides coverage for you and your immediate family
   B) Covers all of your health insurance needs
   C) Comprises 100 percent of all health insurance issued by health and life insurance companies
   D) Typically covers all of an individual's medical costs
   E) Always requires proof of insurability

5. Life insurance proceeds may be used to:
   A) pay off a home mortgage.
   B) cover funeral costs.
   C) make charitable bequests.
   D) pay estate taxes.
   E) All of these choices are correct.

Continued...

6. Which is a correct statement about life insurance?
A) Life insurance provides liquidity at the time of death.
B) Life insurance is still more often bought than sold.
C) Life insurance is one of the least expensive purchases you may ever make.
D) Choosing the right policy takes only a few minutes.
E) Consumer awareness of life insurance has changed significantly over the years.

7. What should you consider before you buy life insurance?
A) Your past sources of income
B) Your cost of health insurance
C) Your vacation benefits
D) Your accumulated sick leave
E) Your savings

8. Your life insurance policy is valuable only if it:
A) meets your objectives.
B) makes you rich.
C) makes your beneficiaries rich.
D) serves as collateral for a loan.
E) pays you at least 7.5 percent interest.

9. Which of the following is a true statement regarding investment goals?
A) To be useful, investment goals must be written.
B) To be useful, investment goals must be very general.
C) Investment goals are the same for each individual.
D) Because investment goals deal with the future, it is useless to plan more than five years in the future.
E) A long-term investment goal involves a time period of five years or less.

10. An intermediate-term investment goal is defined as one that will be accomplished within a period of:

A) five to ten years.
B) two to eight years.
C) more than five years.
D) one to five years.
E) less than one year.

Continued...

11. All of the following statements are considered to be good advice for a potential investor starting an investment program except:

A) Work to balance your budget.
B) Increase credit purchases to conserve cash.
C) Establish specific and measurable investment goals.
D) Start an emergency fund.
E) Perform a financial checkup.

12. A good rule of thumb is to limit consumer credit payments to no more than _____ percent of your net (after-tax) income.

A) 20
B) 30
C) 40
D) 50
E) 60

13. An emergency fund should be deposited in a:

A) savings account or other near-cash investments.
B) six-month certificate of deposit.
C) checking account.
D) safe place at home.
E) safe deposit box in a bank vault.

14. Cristiano Dodo earns RM80,000 a year. His monthly expenses total RM4,500. What is the minimum amount of money that he should set aside in an emergency fund?

A) RM2,150
B) RM4,500
C) RM9,000
D) RM13,500
E) RM40,000

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15. Raja Kasim earns RM2,500 per month. He pays his mortgage, utilities, grocery and other bills and then he makes sure to set aside RM100 for his savings and investment accounts before he spends money to go to movies and other personal expenses. Which suggestion for obtaining the money he needs for investing is he following?

A) Paying himself first
B) Taking advantage of employer-sponsored retirement programs
C) Participating in an elective savings program
D) Making a special effort once or twice a year to save
E) Taking advantage of gifts, inheritance and other windfalls

16. Lim Goh Poh bought 200 shares of Bayview Petroleum Company for RM100 per share and paid a commission of RM50. He sold the stock five years later for RM125 per share and paid RM65 commission. While he held the stock, it paid exactly one dividend of RM4.00 per share. What was Lim's total dollar return on this stock?
A) $24,900
B) $20,000
C) $5,800
D) $5,700
E) $5,685

17. Arianna owns stock in the Tenaga Nasional Berhad. She knows in advance that the dividend on this stock is RM1.50 per share. Given this, you know for sure that she purchased which type of stock?
A) Preferred
B) Common
C) Blue chip
D) Growth
E) Penny

18. Last year, Hampton Electronics earned RM2.00 per share. If a share of its stock is selling for RM60, what is the firm's P-E ratio?
A) 0.03
B) 2
C) 30
D) 33
E) 60

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19. The Capitalist Mutual Fund's portfolio is valued at RM 40 million. The fund has liabilities of RM 2 million, and the investment company sponsoring the fund has issued 1,250,000 shares. What is the fund's net asset value?

A) RM 200.00
B) RM 30.40
C) RM 20.00
D) RM 12.50
E) RM 1.00

20. A mutual fund that invests in stocks and bonds with the primary objectives of conserving principal, providing income, and long-term growth is called a(n) _____ fund.

A) balanced
B) growth
C) industry
D) income
E) money market

21. A mutual fund that invests in companies expecting higher-than-average revenue and earnings growth is called a(n) _____ fund.

A) balanced
B) growth
C) industry
D) income
E) money market

22. Which of the following statements regarding cryptocurrency are not true?

A) Are not regulated or supervised by a government agency
B) Platforms lack critical system safeguards, including customer protections
C) Can be a volatile market with price swings or flash crashes
D) Markets can be manipulated including risks of cyberattacks and wallet hacking
E) None of the above

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23. Which of the following statements regarding Bitcoin are not true?

A) Is a decentralized, peer-to-peer virtual currency that is used like money
B) Can be exchanged for traditional currencies such as the U.S. dollar
C) Can be used to purchase goods or services online
D) Operates without central authority or banks and is not back by any government
E) None of the above

24. Investors buy precious metals as a safe haven during:
A) a recession.
B) a depression.
C) an economic upheaval.
D) deflation.
E) political stability.

25. Why is financial planning for retirement critically important?
A) You can expect to live in retirement up to 30 years.
B) Social Security and your private pension may be insufficient to cover the cost of living.
C) Inflation may diminish the purchasing power of your retirement savings.
D) You can expect to live in retirement for a minimum of 16 years.
E) All of the listed factors are critically important.

26. You can determine your net worth by:

A) subtracting your assets from your liabilities.
B) subtracting the value of your home from the mortgage balance.
C) adding your liabilities and assets.
D) subtracting your liabilities from your assets.
E) adding the value of your home to that of your other assets.

27. Datin Alia is planning for her retirement. She has determined that her car is worth RM12,000, her home is worth RM160,000, her personal belongings are worth RM80,000, and her stocks and bonds are worth RM250,000. She owes RM50,000 on her home and RM5,000 on her car. What step in the retirement planning process is Datin Alia completing?

A) Analyzing her current assets and liabilities
B) Estimating her spending needs
C) Evaluating her planned retirement income
D) Evaluating her retirement housing
E) Developing a balanced budget based on her retirement income

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28. Which one of the following statements is correct?

A) An estate plan is usually implemented by a will and trust agreements.
B) Most people do extensive estate planning.
C) Most people think they will live forever.
D) People should not worry about estate planning until they are age 65.
E) Estate planning is really only necessary if you are wealthy.

29. Estate planning has two parts. The first part consists of:

A) building your estate through savings, investments, and insurance.
B) transferring your estate, while you are alive, in the manner you have specified.
C) deciding who is going to get what.
D) evaluating your assets and liabilities.
E) planning for the period right after you die.

30. Mat Bravo has assets worth RM1,500,000 and has written a legal document that specifies that all of his money go to his children. After he dies, there is a legal process to determine whether his document specifying how his assets be divided is valid. This is also the legal process by which his executor manages and distributes his property. What is this legal process called?

A) Estate
B) Will
C) Trust
D) Probate
E) Terms of distribution

(Total: 60 marks)

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SECTION B (40 Marks)
(Answer all questions. Show your working/calculation).

Question 1

List and describe five out of the "Ten Golden Rules for Buying Takaful or Life Insurance."

(Total: 15 marks)

Question 2

You are a dual income, no-kids family. You and your spouse have the following debts: Mortgage = RM190,000; Auto loan = RM10,000; Credit card balance = RM2,000, and other debts of RM4,000. Further, you estimate that your funeral will cost RM6,000. Your spouse expects to continue to work after your death. Using the DINK method, what should be your need for life insurance?

(Total: 10 Marks)

Question 3

i. Suppose David Arumugam invested just RM10,000 of his own money and had a RM90,000 mortgage with an interest rate of 8.5 percent. After three years, he sold the property for RM120,000.

a. What is his gross profit? (3 marks)

b. What is his net profit/loss? (4 marks)

c. What is the rate of return on investment? (3 marks)

ii. Janine is 25 and has a good job at a biotechnology company in Cyberjaya. Janine estimates that she will need RM875,000 in her total retirement nest egg by the time she is 65 in order to have retirement income of RM20,000 a year (she expects that Social Security will pay her an additional RM15,000 a year). She currently has RM5,000 in a Private Retirement Scheme (PRS), an important part of her retirement nest egg. She believes her PRS will grow at an annual rate of 8 percent, and she plans to leave it untouched until she retires at age 65. How much will Janine's PRS be worth when she needs to start withdrawing money from it when she retires?

(5 marks)
(Total: 15 marks)

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